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BEFORE THE TENNESSEE REGULATORY AUTHORITY 2005 FEB 11 AM 10:37

NASHVILLE, TENNESSEE

T.R.A. DOCKET ROOM

IN RE: PETITION OF ATMOS ENERGY)
CORPORATION FOR APPROVAL OF)
FRANCHISE AGREEMENT WITH)
MARYVILLE TENNESSEE)

) Docket No. 04-00397
)
)
)

DIRECT TESTIMONY OF
Russell Murph

1 **Q: Please state your name, place of employment and title.**

2 A: My name is Russell W. Murph. I am employed by Atmos Energy Corporation, Mid-
3 States Division ("Atmos") as Operations Manager for Maryville, Morristown and
4 Greeneville Sub-Region.

5 **Q: What is the purpose of your testimony?**

6 A: I am testifying on behalf of Atmos in support of the petitions filed to approve the
7 franchises between Atmos and the City of Maryville in Docket No. 04-00397 and the
8 City of Alcoa and Blount County in Docket No. 04-00404. It is my understanding that
9 my testimony will be filed in both Dockets.

10 **Q: In your capacity as Operations Manager for the Maryville, Morristown and**
11 **Greeneville Sub-Region of Atmos, are you familiar with the natural gas distribution**
12 **systems operated by Atmos in Maryville, Alcoa and Blount County, Tennessee?**

13 A: Yes. Atmos operates a single integrated system which serves Maryville, Alcoa and the
14 unincorporated portions of Blount County (the "System"). I was also the authorized
15 person on behalf of Atmos to negotiate the franchise agreements with Maryville, Alcoa
16 and Blount County, Tennessee, that are the subject of this Petition.

17 **Q: Please give the Authority an overall description of the Atmos' natural gas**
18 **distribution system that is located in Maryville, Alcoa and Blount County,**
19 **Tennessee and a description of the customers served by Atmos in those areas.**

20 A: The System contains a total of approximately 349 miles of distribution pipe, of which
21 133 miles are located within the city limits of Maryville, 53 miles are located within the
22 city limits of Alcoa and 163 miles are located in the unincorporated areas of Blount
23 County. The pipelines in each city and the county are interconnected and are operated as

24 a single system. There are approximately 8668 customers located within the city limits of
25 Maryville. Of that amount, approximately 88% are residential customers and 12% are
26 commercial and industrial customers. There are approximately 2484 customers located
27 within the city limits of Blount County. Of that amount, approximately 80% are
28 residential customers and 20% are commercial and industrial customers. With respect to
29 the System serving customers in the unincorporated areas of Blount County, there are
30 approximately 6591 customers. Of that amount, approximately 94% are residential
31 customers and 6% are commercial and industrial customers.

32 **Q: Are the System's pipes located within the public rights of way in Maryville, Alcoa**
33 **and Blount County?**

34 A: Yes. The majority of the pipeline in the System is located within the public rights-of-way.
35 Without access to these public rights of way, Atmos could not adequately maintain,
36 replace and/or operate its distribution system.

37 **Q: Has Atmos operated natural gas distribution systems in Maryville, Alcoa and**
38 **Blount County for a number of years?**

39 A: Yes. Atmos and its predecessors have operated for many years under various franchise
40 agreements with the Cities of Maryville and Alcoa and Blount County. Each of these
41 agreements has allowed Atmos to use the public rights-of-way for the operation of its
42 distribution system and related plant and access thereto.

43 **Q: Please give a brief summary of the chronology relating to negotiation of the**
44 **franchise agreements with the City of Maryville, the City of Alcoa and Blount**
45 **County.**

46 A: In 1979, Maryville, through Ordinance No. 1266, granted United Cities and its successor,
47 Atmos, a 25 year franchise to use the public rights-of-way for the purpose of operating
48 and maintaining its natural gas distribution system. The franchise was slated to expire in
49 August of 2004. In 1954, Alcoa, through Ordinance No. 360, granted United Cities and
50 its successor, Atmos, a 50 year franchise to use the public rights-of-way for the purpose
51 of operating and maintaining its natural gas distribution system. The franchise was slated
52 to expire in May of 2004. Atmos also was operating under a franchise with Blount
53 County at the time that the expiration dates of the Maryville and Alcoa franchises were
54 approaching.

55 Beginning in 2002, during informal discussions and as opportunities presented
56 themselves, my predecessor John Collins, Operations Manager for Maryville, Morristown
57 and Greeneville, and I, then Operations Manager of Maryville, reminded Maryville's City
58 Manager, Gary Hensley and Maryville's Assistant City Managers, Roger Campbell and
59 Greg McClain, of the impending expiration date. Further, we advised that it was
60 necessary that we begin negotiations, as the negotiations and the approval process were
61 time consuming. During these interactions, they expressed their intent to contract the
62 services of R.W. Beck, Inc., to assist in the development of the new agreement; where-

63 by, to the extent possible, the agreements for Maryville, Alcoa and Blount County would
64 be consistent (terms, conditions, etc.)

65 On January 22, 2004, representatives from Atmos, City of Maryville, City of Alcoa,
66 Blount County and R.W. Beck Inc. met to identify issues to be addressed in the new
67 franchise agreements, to examine concerns related to the issues and to begin the
68 negotiation process. Attendees of the meeting were: Roger Campbell, Assistant City
69 Manager for the City of Maryville, Mark Johnson, City Manager for the City of Alcoa,
70 David Bennett, Assistant County Mayor for Blount County, Russell Murph, Operations
71 Manager for Atmos, Robert (Bob) Elam, Operations Vice President for Atmos, John
72 Collins, Operations Manager for Atmos and Brown Thornton with R.W. Beck, Inc

73 Following this meeting, the Cities and County developed and submitted an initial draft
74 agreement to John Collins and me. Over the next six months via e-mail, telephone
75 conversations, and in person meetings, the franchise agreement went through numerous
76 drafts, with all parties making changes to the language. Negotiated terms included, but
77 were not limited to, franchise fee, emergency response time, future staffing levels, length
78 of agreement and operational functions. Once the basic terms were agreed upon, a
79 specific agreement was entered with the Maryville, Alcoa and Blount County
80 respectively.

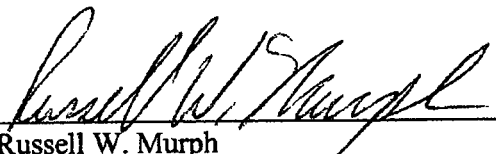
81 The Maryville City Council approved the franchise agreement, which is the subject of
82 Docket 04-00397, and enacted it through Ordinance No. 2004-34. The Alcoa City
83 Council approved the franchise agreement, which is presented for approval to the TRA in
84 Docket No. 04-00404, and enacted it through Ordinance No. 04-032. The Blount County
85 Commission approved the franchise agreement, which is also presented for approval to
86 the TRA in Docket No. 04-00404 and enacted it through Ordinance No. 04-08-008.

87 **Q: In summary, were the franchise agreements the product of an arms-length**
88 **negotiation process between the City of Maryville, the City of Alcoa and Blount**
89 **County and Atmos?**

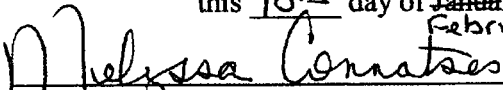
90 **A:** Yes, as is apparent from my testimony, the parties engaged in extensive negotiations over
91 an extended period of time prior to reaching an agreement in this matter. There was
92 significant give and take on all sides during the negotiation process.

93 **Q: What is your opinion in regard to the necessity of the approval of the respective**
94 **franchise agreements?**

95 **A:** The franchise agreements are necessary and proper for the public convenience and
96 properly conserve and protect the public interest of the citizens of the City of Maryville,
97 City of Alcoa and Blount County served by Atmos.


Russell W. Murph
Title: Operations Manager for Maryville,
Morristown and Greeneville Sub-Region

Sworn to and subscribed before me
this 10th day of ~~January~~ February, 2004.


Notary Public

My Commission Expires: 5/28/06